

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

NOTICE OF INQUIRY AND NOTICE OF PROPOSED RULEMAKING

Adopted: April 21, 2010

Released: April 21, 2010

Comment Date: (60 days from publication in the federal Register)

Reply Comment Date: (90 days from publication in Federal Register)

Millry Telephone Company Comments

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July 12, 2010

I. INTRODUCTION

Millry Telephone Company (Millry) submits these comments in response to the Federal Communications Commission's (FCC) Notice of Inquiry and Notice of Proposed Rulemaking, FCC 10-58, "In the Matter of Connect America Fund", WC Docket No. 10-90, "A National Broadband Plan for Our Future", GN Docket No. 09-51, and "High-Cost Universal Service Support", WC Docket 05-337 (Order).

Millry believes that the goals within the National Broadband Plan (NBP) are admirable. However, the means of achieving these goals include initiatives that are a major concern for the rural incumbent Local Exchange Carriers (ILECs). Most rural ILECs have already implemented broadband within their service areas, or are in the process of completing projects for broadband.

Millry is specifically addressing the following key question from Paragraph 53 of the FCC 10-58 Order:

"To the extent that any commenter believes that these proposals would negatively affect affordable voice services for customers, we would encourage such a commenter to identify all assumptions and to provide data, including information on network investment plans over the next five years, and free cash flows to support that position".

Millry includes with these comments supporting financial documentation that demonstrates how the proposed changes to the legacy Universal Service Fund (USF) are not favorable for the continuance of universal service in rural areas without sufficient replacement support and may jeopardize the financial viability of offering affordable voice services within our local exchange area.

Millry Telephone Company
WC Docket No. 10-90; GN Docket No. 09-51; WC Docket No. 05-337

II. BACKGROUND

As of December 31, 2009, Millry served 6,354 one-party residential, single-line and multi-line business lines, including 448 Life-line customers, in the southwestern portion of the State of Alabama from our office in Millry. Millry Telephone Co., Inc has served the communications needs of our local area since 1941. We have a staff of 38 employees, offer wireline voice services, broadband services up to 4Mbps, long distance and internet services. We completed fiber projects during 2006 through 2010 in the amount of \$3,016,000. These upgrades give more reliable service as well as pushing fiber closer to the customer.

Millry local exchange area covers approximately 1,078 square miles, with 229 miles of buried fiber and 1,540 miles of buried cable of which 30 miles are planned to be replaced with buried fiber by fourth quarter 2011. Millry utilizes a Northern Telecom DMS-10 switch and is converting to a soft switch, is Communication Assistance to Law Enforcement Act (CALEA) compliant, and meets all of the requirements of an Eligible Telecommunications Carrier (ETC), including Carrier of Last Resort (COLR).

We are responsive to the needs of our customers and take pride in providing quality voice and data services that meet the needs of our customers because our customers are also our neighbors. We offer voice services to 100% of our customers in our service area and offer broadband services to 97.5% of our customers.

The information provided in our comments is based on our most recent financial information, modified for NECA's projected National Average Cost per Loop (NACPL). This information is considered "Business as Usual" which was subsequently adjusted to include the proposed changes as outlined in the Notice of Inquiry for the National Broadband Plan (NBP).

III. REVENUE SOURCES

Millry received its 2009 revenues from the following sources: our end user customers, including Local Exchange and vertical services, End User Common Line (EUCL), Federal End User Charge (FUSC), and Internet; Network Access billed to Carriers; resold Long Distance and Miscellaneous Revenue; and federal USF which includes Local Switching Support (LSS), Interstate Common Line Support (ICLS), and High Cost Loop (HCL) revenue. The EUCL, LSS, and ICLS support amounts are actually part of interstate revenue requirement.

Based on the December 2009 6,354 access lines, the 2009 average revenue per line, per month for the above sources is as follows: End User \$53.51; Network Access \$37.99; Long Distance and Miscellaneous \$13.09; and federal USF \$20.55. USF support of \$20.55 per line, per month is 16.43% of Millry's revenue. Exhibit I, "2009 Monthly Revenue Source per Line", provides a pie chart for this information.

Exhibit I also shows the effect of the FCC's proposals by year 2015 for phasing down federal USF support, as well as the decreasing access revenue. It is anticipated that Millry access lines will also decrease by 20% to 5,127 by 2015. The proposed changes to the existing revenue sources are anticipated to produce the following revenue per line, per month: End User \$75.77; Network Access \$23.54; Long Distance and Miscellaneous \$38.02; and federal USF \$12.74. Total federal USF support of \$12.74 per line, per month equals 6.25%. The 2015 revenue shortfall between "Business as Usual" and the NBP is \$53.83 per line per month, or 26.40% that will need to be supported from unknown sources for Millry to maintain the quality voice and data services that has been provided to, and is expected by, our customers.

Exhibit II, "Comparison of Current ICLS projection vs. Frozen at 2010 Levels Per Line", provides a bar chart to display the comparison of ICLS between the current projection and frozen at the 2010 level of \$145.22 per line . As the lines decrease, and using the 2010 level of support, the difference between unfrozen and frozen will be (\$56,548) in 2011 and (\$526,080) by 2016. ICLS represents total network loop that are maintained even when lines are lost.

IV. BENCHMARK END USER RATES

Based on 2009 levels and assuming that all 6,354 lines subscribe to local services and long distance and the average DSL revenue per customer; Millry received \$91.26 per month, per line. Exhibit I indicates end user revenue at \$53.51, by using total

access lines. For purposes of benchmarking, we used the \$91.26 amount which was included the average rate for internet based on the 2009 DSL line count.

Exhibit III, “Monthly Revenue Shortfall from Covering Expenses at Comparable Rural/Urban/Wireless End User Benchmark Rate”, provides a comparison between the amount from Millry’s end users of \$91.26 to an actual AT&T’s urban voice-line statement of \$76.93 and an actual Sprint’s wireless statement of \$69.24. Using Millry’s 2010 total company expenses less special access and miscellaneous revenue, the per-line, per month expense amount that would not be recovered with end user revenue would be \$29.02 at Millry’s revenue per line rate; \$36.76 at the urban wireline rate; and \$29.21 at the wireless rate. This shortfall does not include an amount for a return on investment.

The information provided in Exhibit III demonstrates that Millry’s rates, as well as those of an urban wireline rate or a wireless rate, do not generate sufficient revenue from only end users to cover the expenses necessary to provide quality services in our rural area.

V. INVESTMENTS FOR BROADBAND

Exhibit IV, “Projected Net Investment”, is a bar chart that provides the anticipated net investment through 2016. Millry’s future investment in broadband plant is dependent on receiving USF. Absent a reliable income stream we cannot plan future investments in

broadband or continue to provide the same level of broadband service that we provide today.

Estimating the future HCLF support has always been difficult as the NACPL has been a “best guess” amount. Our consultants, Warinner, Gesinger and Associates, LLC (WGA) estimated the NACPL at \$453.81 for calendar year 2009 (payment year 2011) and increased this by \$32.50 per year through 2014 to \$616.31 (payment year 2016). The National Exchange Carrier Association (NECA) in June 2010, for the first time, released its projected NACPL for 2009 at \$464.78 increasing to \$743.74 by 2015.

VI. COMPARISON OF HIGH COST LOOP SUPPORT

As shown on Exhibit V, “Comparison of High Cost Loop Support Projections”, provides the amount of HCL support using WGA’s NACPL; using NECA’s NACPL, and the amount of HCL support if frozen at the 2010 amount per line. The difference between estimating HCL support using WGA’s estimated NACPL and that based on NECA’s NACPL in the anticipated NACPL impacted Millry, on a cumulative basis, (\$1,602,227) by 2016. Millry would receive no HCL beyond 2013 utilizing NECA’s NACPL. NECA’s method for determining the NACPL is included with Exhibit V. The financial information supporting our comments is based on the use of NECA’s NACPL in determining anticipated HCL support.

VII. CASH FLOW PROJECTION

Presented in Exhibit VI, “Cash Flow projection”, is information related to cash-flow through 2016 comparing “Business as Usual” to the impact of the proposals associated with the NBP changes. The decrease in cash-flow for “Business as Usual” is directly related to the increase in NECA’s NACPL projection which reduces the amount of anticipated for HCL support. Without revenue from an unknown source, the difference between “Business as Usual” and the NBP proposed changes to legacy USF support, the difference between the two cash-flow projections in 2016 will be (\$2,124,011).

The NBP cash-flow revenues do not include revenue from an unknown source to replace the lost revenue resulting from decreases in access and the changes in legacy USF support, such as the proposed Connect America Fund (CAF).

VIII. OPINION SUMMARY

Millry revenue is generated from end users, carriers and universal support (Exhibit I). Even if local rates are set at comparable rates to an urban landline provider or a wireless provider, the revenues generated on Millry lines will not cover our expenses (Exhibit III).

Millry presents the financial documentation to the FCC to support our opinion that the proposals to cap the legacy high-cost support at 2010 levels, and phase-out the legacy high-cost funding by 2020 will negatively affect the affordable and dependable

voice and data services for our customers. It is important for the FCC to ensure that any replacement support will be adequate to support the goals of universal service.

Millry Telephone Company respectfully requests that the FCC consider the impact to the rural companies in its changes to the legacy USF support mechanisms as the FCC adopts policies that may cap the legacy high-cost programs or replace it with the CAF. As our financial information demonstrates, Millry serves a high-cost area and to achieve the universal service goal of affordable comparable rates, Millry requires USF or CAF to maintain affordable quality services to our customers.

If the proposals, as set forth by the FCC in the Notice of Proposed Rulemaking are implemented without an adequate and sustainable revenue replacement, Millry Telephone Company may suffer severe financial harm and will certainly not be able to continue to provide the services our rural residents and businesses are accustomed to and deserve.

Respectfully submitted,

/s/ Bobby Williams

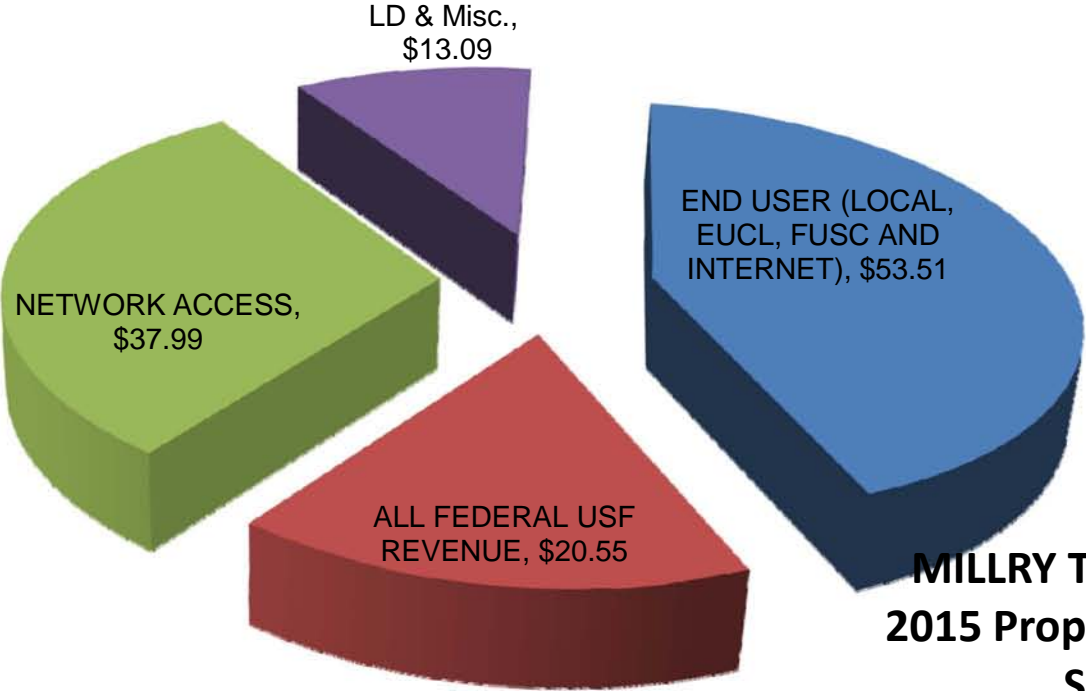
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Submitted via ECFS

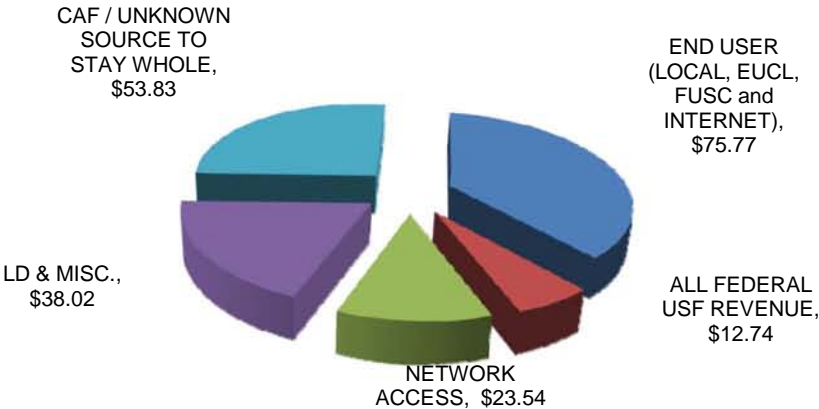
USF BENCHMARK CALCULATIONS
PROPOSED MODEL FOR RURAL USF
ROR CARRIERS RESPONSIBLE FOR COLR
BASED ON 12/31/2009 DATA

MILLRY TELEPHONE COMPANY Audit Report	These 2 columns may not be Needed		Includes only Div 1-3 2009 Statement of Income				Includes only Div 1-3 2008 Statement of Income				Includes only Div 1-3 2007 Statement of Income			
	Consolidated													
	2009	2008	Telephone Co.	Communications	Intercompany	Consolidated	Telephone Co.	Communications	Inter-co	Consolidated	Telephone Co.	Communications	Inter-co	Consolidated
Operating Revenues														
Local network services	2,427,729	2,488,864	1,925,349	502,380	-	2,427,729	2,003,285	485,579	-	2,488,864	2,067,058	380,968	-	2,448,026
Network access services	5,410,107	5,490,542	5,410,107	-	-	5,410,107	5,490,542	-	-	5,490,542	5,554,279	-	-	5,554,279
Long distance services	1,182,072	1,169,169	-	1,182,072	-	1,182,072	-	1,169,169	-	1,169,169	-	1,025,356	-	1,025,356
Internet services	705,697	726,114	-	1,074,230	(368,533)	705,697	-	1,005,060	(278,946)	726,114	-	759,462	(121,499)	637,963
Miscellaneous revenue	140,967	169,742	59,974	80,994	-	140,967	88,791	80,951	-	169,742	90,119	107,089	-	197,208
	9,866,573	10,044,431	7,395,430	2,839,676	(368,533)	9,866,573	7,582,618	2,740,759	(278,946)	10,044,431	7,711,457	2,272,875	(121,499)	9,862,833
Revenue Reported on NECA's DR						9,785,579				9,963,480				9,755,744
Operating Expenses														
Plant specific operations	1,995,833	1,832,797	1,751,118	244,715	-	1,995,833	1,584,992	247,805	-	1,832,797	1,694,115	381,201	-	2,075,316
Plant non-specific operations	572,261	501,917	566,404	5,857	-	572,261	496,047	5,870	-	501,917	532,245	6,686	-	538,931
Cost of long distance services	368,426	321,328	-	368,426	-	368,426	-	321,328	-	321,328	-	213,769	-	213,769
Cost of internet services	257,078	244,264	-	625,611	(368,533)	257,078	-	523,210	(278,946)	244,264	-	277,704	(121,499)	156,205
Depreciation	1,879,211	1,683,082	1,840,481	38,730	-	1,879,211	1,676,474	6,608	-	1,683,082	1,611,550	70,124	-	1,681,674
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer operations	458,206	453,412	283,311	174,895	-	458,206	291,413	161,998	-	453,412	294,111	149,072	-	443,184
Corporate operations	1,508,808	1,353,276	1,284,674	224,134	-	1,508,808	1,198,288	154,989	-	1,353,276	1,249,686	121,670	-	1,371,356
General taxes	169,021	145,134	163,372	5,649	-	169,021	144,232	902	-	145,134	182,685	2,332	-	185,017
	7,208,844	6,535,210	5,889,360	1,688,018	(368,533)	7,208,844	5,391,446	1,422,710	(278,946)	6,535,210	5,564,392	1,222,558	(121,499)	6,665,452
Operating Income	2,657,729	3,509,221	1,506,070	1,151,659	-	2,657,729	2,191,172	1,318,049	-	3,509,221	2,147,065	1,050,317	-	3,197,381
Other Income (Expense)														
Interest and dividend income	3,816	92,885	-	3,816	-	3,816	-	92,885	-	92,885	-	322,473	-	322,473
Interest expense	(16,511)	(39,277)	(16,511)	-	-	(16,511)	(39,277)	-	-	(39,277)	(59,715)	-	-	(59,715)
Interest during construction	5,781	-	5,781	-	-	5,781	-	-	-	-	-	-	-	-
Equity loss from partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other, net	8,835	22,613	-	8,835	-	8,835	-	22,613	-	22,613	-	21,206	-	21,206
	1,921	76,221	(10,730)	12,652	-	1,921	(39,277)	115,498	-	76,221	(59,715)	343,679	-	283,964
Income Before Equity Earnings of Subsidiary	2,659,650	3,585,442	1,495,340	1,164,310	-	2,659,650	2,151,895	1,433,547	-	3,585,442	2,087,350	1,393,996	-	3,481,346
Equity Earnings of Subsidiary	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	0	0	0	-	-	-	-	-	-	-	-	-	-	-
Net Income	2,659,650	3,585,442	1,495,340	1,164,310	-	2,659,650	2,151,895	1,433,547	-	3,585,442	2,087,350	1,393,996	-	3,481,346

**MILLRY TELEPHONE COMPANY
2009 Monthly Revenue Source Per Line**



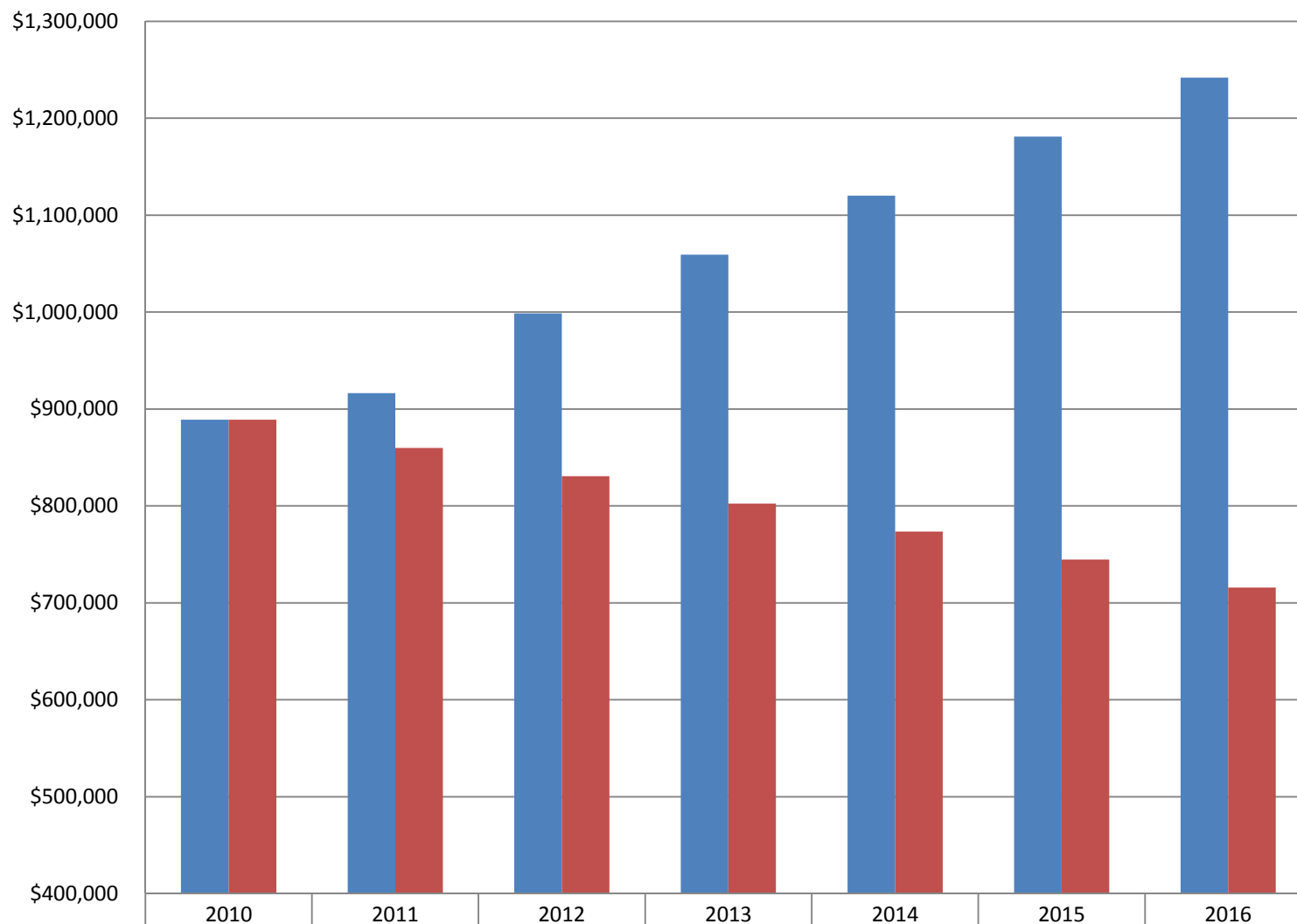
**MILLRY TELEPHONE COMPANY
2015 Proposed Monthly Revenue
Source Per Line**



MILLRY TELEPHONE COMPANY		PER BOOKS	PERCENT
PER AUDIT - CONSOLIDATED		2009 AUDIT	
Operating Revenues			
Local network services	\$ 2,427,729		24.61%
Network access services	5,410,107		54.83%
Long distance services	1,182,072		11.98%
Internet services	705,697		7.15%
Miscellaneous revenue (ADJUSTED)	140,967		1.43%
	<u>\$ 9,866,573</u>		<u>100.00%</u>
GROUPING TO SHOW USF COMBINED:			
END USER (LOCAL, EUCL, FUSC and INTERNET)	\$ 4,079,953		42.76%
ALL FEDERAL USF REVENUE (ICLS, HCL, LSS)	1,567,157		16.43%
NETWORK ACCESS & DSL ACCESS	2,896,424		30.36%
LD & MISC.	997,751		10.46%
	<u>\$ 9,541,284</u>		<u>100.00%</u>
2009 ACCESS LINES		6,354	
<u>AVERAGE MONTHLY REVENUE PER ACCESS LINE</u>			
END USER (LOCAL, EUCL AND INTERNET)	\$ 53.51		42.76%
ALL FEDERAL USF REVENUE	\$ 20.55		16.43%
NETWORK ACCESS	\$ 37.99		30.36%
LD & MISC.	\$ 13.09		10.46%
	<u>\$ 125.13</u>		<u>100.00%</u>
<u>2015 Annual Revenue</u>			
	Access Lines >	5,127	
END USER (LOCAL, EUCL AND INTERNET)	4,661,620		
ALL FEDERAL HCF REVENUE	783,578		
NETWORK ACCESS	1,448,212		
LD & MISC.	2,339,384		
Total	<u>9,232,794</u>		
		12,544,611.06	BAU Rev
		3,311,817	Ann Diff
		645.96	Per Ln
Per Access Line Per Month			
END USER (LOCAL, EUCL, FUSC and INTERNET)	\$ 75.77		53.83 Pre Month
ALL FEDERAL USF REVENUE	\$ 12.74		6.25%
NETWORK ACCESS	\$ 23.54		
LD & MISC.	\$ 38.02		
CAF / UNKNOWN SOURCE TO STAY WHOLE	\$ 53.83		26.40%
TOTAL	<u>\$ 203.90</u>		

MILLRY TELEPHONE COMPANY

Comparison of Current ICLS Projection vs. Frozen at 2010 Levels Per Line



■ Projected ICLS (unfrozen):	\$888,884	\$916,388	\$998,518	\$1,059,337	\$1,120,156	\$1,180,975	\$1,241,794
■ ICLS - frozen @ 2010 Per Line Amt	\$888,884	\$859,840	\$830,651	\$802,285	\$773,428	\$744,571	\$715,714

MILLRY TELEPHONE COMPANY
ICLS AND HCL IMPACT

A. Impact Resulting from Freezing Rural ILEC ICLS Per Line @ 2010 Level

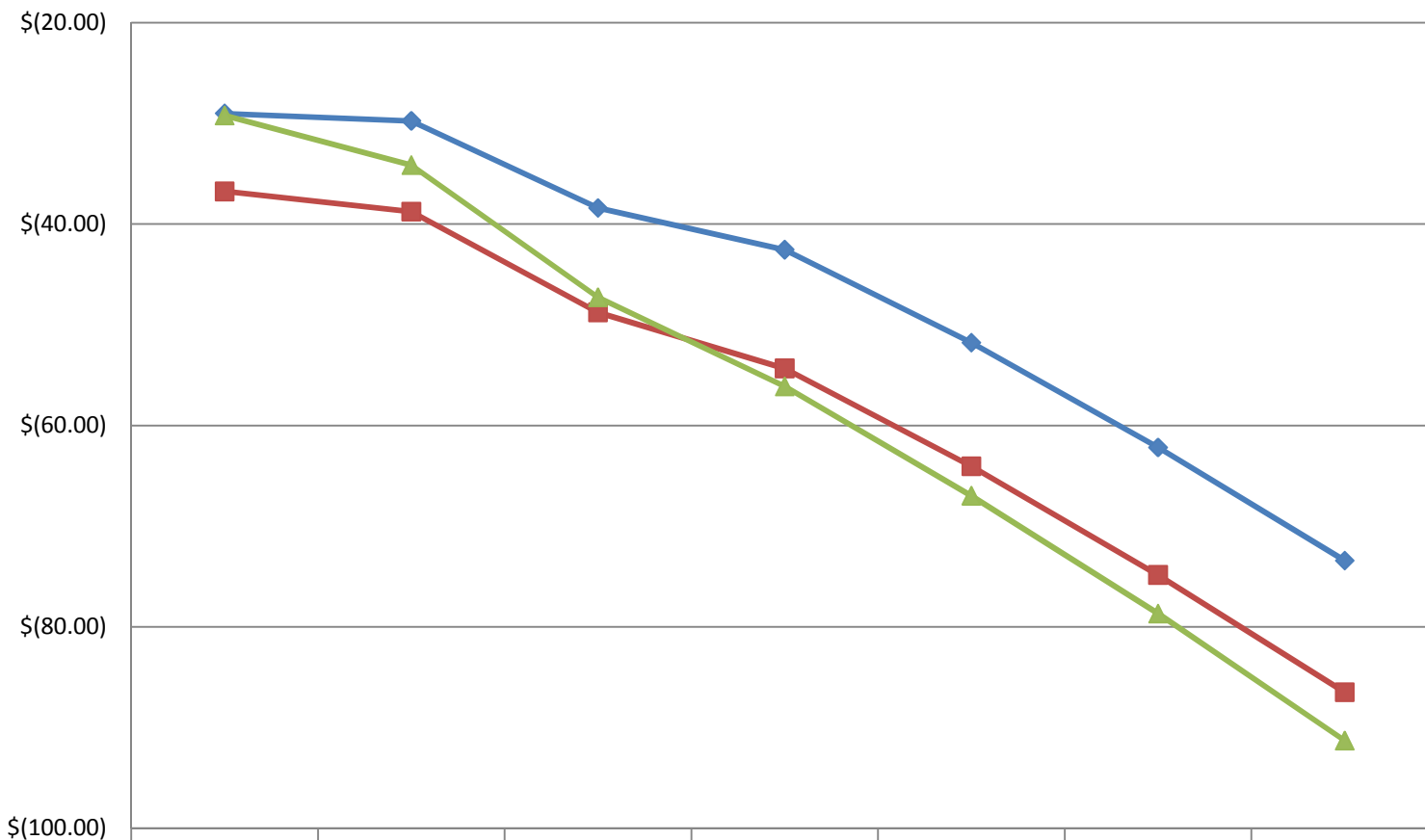
NECA DR	Line	Description	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
23	1	Historical & Projected Annual ICLS (unfrozen):	\$ 695,751	\$ 721,966	\$ 857,312	\$ 888,884	\$ 916,388	\$ 998,518	\$ 1,059,337	\$ 1,120,156	\$ 1,180,975	\$ 1,241,794
11	2	Projected Retail Voice Lines:	6,735	6,470	6,354	6,121	5,921	5,720	5,525	5,326	5,127	4,929
Calc	3	ICLS Support Per Line- Unfrozen (Ln 1 / Ln 2)	103.30	111.59	134.92	145.22	154.77	174.57	191.75	210.32	230.33	251.96
Calc	4	ICLS Support Per Line- Frozen at 2010 levels:				145.22	145.22	145.22	145.22	145.22	145.22	145.22
Calc	5	ICLS Annual Support - frozen (Ln 2 x Ln 4)				888,884	859,840	830,651	802,285	773,428	744,571	715,714
Calc	6	Difference in ICLS Support- Frozen versus Actuals (Ln5 - Ln 1):				-	(56,548)	(167,866)	(257,052)	(346,728)	(436,404)	(526,080)
Calc	7	Difference in ICLS Per Line- Frozen versus Actuals (Ln6 / Ln 2):					(9.55)	(29.35)	(46.53)	(65.10)	(85.11)	(106.74)
Calc	8	Projected ICLS Amounts - Difference between being frozen per line at 2010 verses Projected Financial Data:					\$ (29,044)	\$ (58,233)	\$ (86,599)	\$ (115,456)	\$ (144,313)	\$ (173,170)

B. Impact Resulting from Freezing Rural ILEC HCL Loops

18	9	Projected HCL Support (unfrozen)	\$ 323,359	\$ 413,244	\$ 439,497	\$ 232,414	\$ 223,544	\$ 397,404	\$ 297,648	\$ 286,049	\$ 274,451	\$ 262,852
N/A	10	USF Loops	7,114	6,958	6,757	6,487	6,250	5,996	5,749	5,499	5,252	5,008
Calc	11	USF if based on a Frozen amount per loop at 2010	\$ 323,359	\$ 413,244	\$ 439,497	\$ 256,015	\$ 246,661	\$ 236,637	\$ 226,889	\$ 217,022	\$ 207,274	\$ 197,645
Calc	12	Difference From 2010 HCL Amounts- Frozen @ 2010 Level/line vs Projected:					\$ 23,117	\$ (160,767)	\$ (70,759)	\$ (69,027)	\$ (67,176)	\$ (65,207)
Calc	13	Combined Impact from Freezing ICLS and HCL Payments Based on 2010 Per Loop Amount:					\$ (5,927)	\$ (219,000)	\$ (157,358)	\$ (184,483)	\$ (211,489)	\$ (238,377)

MILLRY TELEPHONE COMPANY
Monthly Revenue Shortfall from Covering Expenses at Comparable
Rural/Urban End User Benchmark Rates
(Does NOT Include any Return on Rate Base)

Note
Declining
Scale



AT ILEC'S RATES	2010	2011	2012	2013	2014	2015	2016
	\$(29.02)	\$(29.77)	\$(38.41)	\$(42.56)	\$(51.78)	\$(62.19)	\$(73.42)
AT AT&T'S RATES	\$(36.76)	\$(38.76)	\$(48.76)	\$(54.33)	\$(64.05)	\$(74.85)	\$(86.50)
AT SPRINT'S WIRELESS RATES	\$(29.21)	\$(34.14)	\$(47.27)	\$(56.12)	\$(66.98)	\$(78.68)	\$(91.30)

**ESTIMATES OF MONTHLY REVENUE PER LINE NEEDED FROM USF/CAF
USING RATE COMPARISON SCENARIOS AND 100% BROADBAND TAKE RATE**

	ESTIMATED REVENUE PER YEAR USING COMPARATIVE RATE SCENARIO BELOW							
	2009	2010	2011	2012	2013	2014	2015	2016
NUMBER OR RETAIL SUBSCRIBER LINES ASSESSED CHARGES	6,354	6,121	5,921	5,720	5,525	5,326	5,127	4,929
PROJECTED DSL LINES - GOAL 90% BY 2016	2,232	2,789	3,315	3,842	4,359	4,420	4,420	4,420
AVERAGE REVENUE PER DSL LINE	\$ 40.11							
ILEC'S AVERAGE MONTHLY CHARGES BILLED TO END USERS								
LOCAL REVENUE	\$ 31.84	\$ 2,338,705	\$ 2,262,289	\$ 2,185,491	\$ 2,110,986	\$ 2,034,952	\$ 1,958,919	\$ 1,883,267
EUCL	6.83	\$ 501,721	\$ 485,327	\$ 468,852	\$ 452,868	\$ 436,557	\$ 420,246	\$ 404,016
FUSC	0.75	\$ 55,078	\$ 53,279	\$ 51,470	\$ 49,715	\$ 47,925	\$ 46,134	\$ 44,352
STATE END USER - USF SURCHARGE	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LONG DISTANCE	11.73	\$ 861,953	\$ 833,789	\$ 805,484	\$ 778,025	\$ 750,002	\$ 721,979	\$ 694,097
INTERNET	40.11	\$ 1,342,306	\$ 1,595,462	\$ 1,849,100	\$ 2,098,021	\$ 2,127,283	\$ 2,127,283	\$ 2,127,283
TOTAL	\$ 91.26	\$ 5,099,763	\$ 5,230,146	\$ 5,360,397	\$ 5,489,615	\$ 5,396,718	\$ 5,274,560	\$ 5,153,015
IF AT AT&T RATES - COMPLETE CHOICE ENHANCED (1)								
LOCAL REVENUE INCLUDING VERTICAL SERVICES	\$ 31.00	\$ 2,277,012	\$ 2,202,612	\$ 2,127,840	\$ 2,055,300	\$ 1,981,272	\$ 1,907,244	\$ 1,833,588
EUCL	5.30	\$ 389,296	\$ 376,576	\$ 363,792	\$ 351,390	\$ 338,734	\$ 326,077	\$ 313,484
FUSC	0.81	\$ 59,496	\$ 57,552	\$ 55,598	\$ 53,703	\$ 51,769	\$ 49,834	\$ 47,910
STATE END USER - USF SURCHARGE	0.09	\$ 6,611	\$ 6,395	\$ 6,178	\$ 5,967	\$ 5,752	\$ 5,537	\$ 5,323
LONG DISTANCE	11.73	\$ 861,953	\$ 833,789	\$ 805,484	\$ 778,025	\$ 750,002	\$ 721,979	\$ 694,097
INTERNET	28.00	\$ 937,104	\$ 1,113,840	\$ 1,290,912	\$ 1,464,691	\$ 1,485,120	\$ 1,485,120	\$ 1,485,120
TOTAL	\$ 76.93	\$ 4,531,471	\$ 4,590,763	\$ 4,649,804	\$ 4,709,076	\$ 4,612,648	\$ 4,495,792	\$ 4,379,522
IF AT SPRINT WIRELESS RATES - EVERYTHING DATA w/1500 SHARED MINUTES (1)								
EVERYTHING DATA PLAN CHARGE	\$ 64.99	\$ 4,773,645	\$ 4,617,669	\$ 4,460,914	\$ 4,308,837	\$ 4,153,641	\$ 3,998,445	\$ 3,844,029
EUCL	0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUSC	4.25	\$ 312,171	\$ 301,971	\$ 291,720	\$ 281,775	\$ 271,626	\$ 261,477	\$ 251,379
STATE END USER - USF SURCHARGE	0.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LONG DISTANCE	INCL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INTERNET	INCL	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 69.24	\$ 5,085,816	\$ 4,919,640	\$ 4,752,634	\$ 4,590,612	\$ 4,425,267	\$ 4,259,922	\$ 4,095,408
TOTAL ILEC EXPENSES		\$ 7,973,710	\$ 8,087,381	\$ 8,739,377	\$ 9,053,768	\$ 9,448,477	\$ 9,843,187	\$ 10,237,896
ASSUME 2009 SPECIAL ACCESS & MISC REVENUE		742,352	742,352	742,352	742,352	742,352	742,352	742,352
ILEC'S PROJECTED ANNUAL EXPENSES LESS SPECIAL ACCESS REVENUE(2)		\$ 7,231,358	\$ 7,345,029	\$ 7,997,025	\$ 8,311,416	\$ 8,706,125	\$ 9,100,835	\$ 9,495,544
USF/ICC REVENUE GAP - ANNUAL AMOUNT NEEDED TO COVER EXPENSES (3)								
AT ILEC'S RATES PER END USER		\$ (2,131,596)	\$ (2,114,883)	\$ (2,636,627)	\$ (2,821,801)	\$ (3,309,407)	\$ (3,826,275)	\$ (4,342,529)
AT AT&T'S RATES PER END USER		(2,699,887)	(2,754,266)	(3,347,220)	(3,602,340)	(4,093,477)	(4,605,043)	(5,116,022)
AT SPRINT'S RATES PER END USER		(2,145,542)	(2,425,389)	(3,244,391)	(3,720,804)	(4,280,858)	(4,840,913)	(5,400,136)
USF/ICC GAP - AMOUNT NEEDED PER LINE PER MONTH FROM USF/CAF FUNDS								
AT ILEC'S RATES PER END USER	\$	(29.02)	(29.77)	(38.41)	(42.56)	(51.78)	(62.19)	(73.42)
AT AT&T'S RATES PER END USER		(36.76)	(38.76)	(48.76)	(54.33)	(64.05)	(74.85)	(86.50)
AT SPRINT'S WIRELESS RATES PER END USER		(29.21)	(34.14)	(47.27)	(56.12)	(66.98)	(78.68)	(91.30)

(1) Rates Based on Customer Living in Kansas City Missouri.

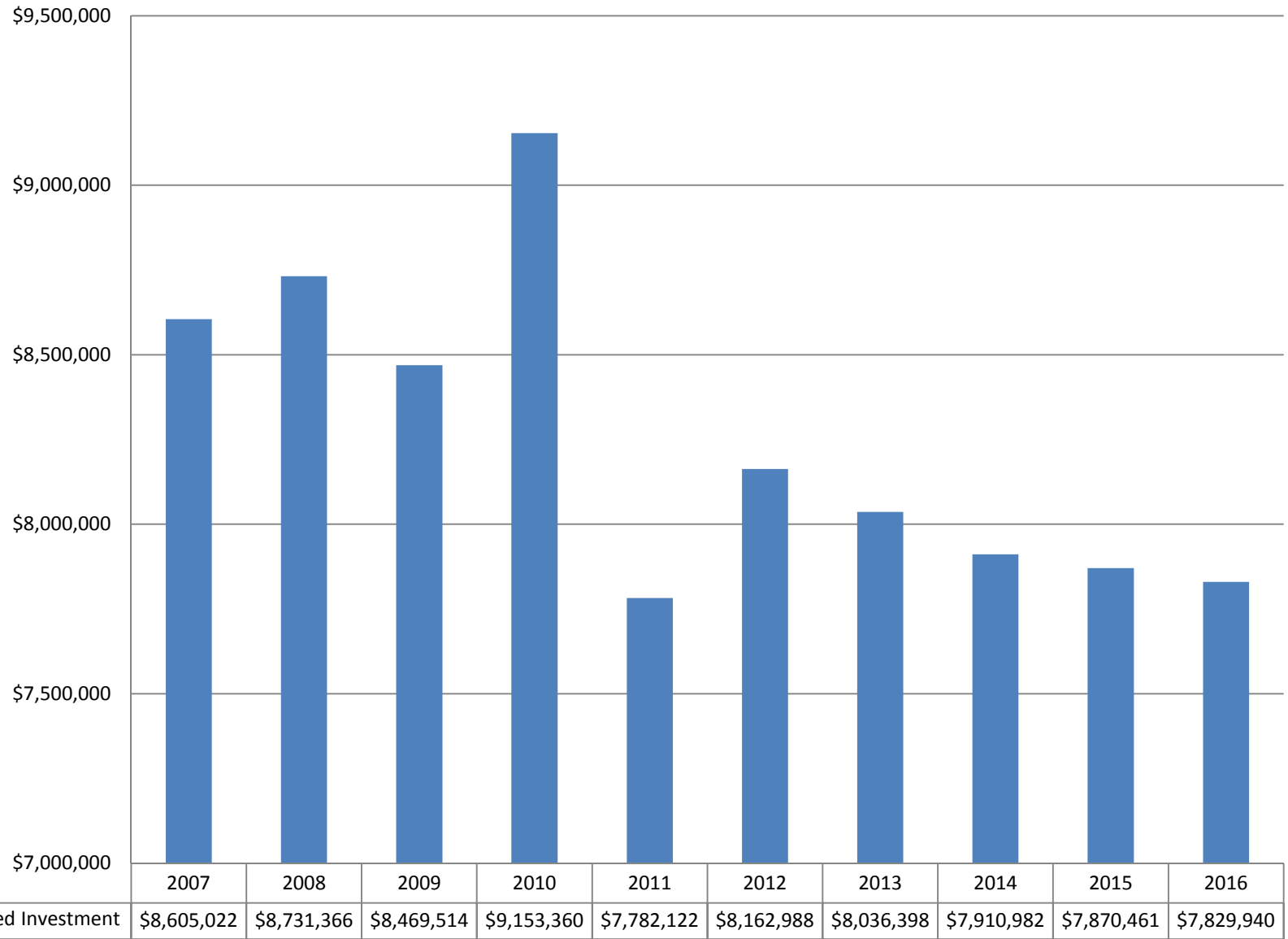
(2) Includes both regulated and non-regulated expenses.

(3) Before a return on net investment (ICC = Inter-carrier Compensation) In this context would include both TS and special access charges.

Data for Chart

	2010	2011	2012	2013	2014	2015	2016
AT ILEC'S RATES	\$ (29.02)	\$ (29.77)	\$ (38.41)	\$ (42.56)	\$ (51.78)	\$ (62.19)	\$ (73.42)
AT AT&T'S RATES	\$ (36.76)	\$ (38.76)	\$ (48.76)	\$ (54.33)	\$ (64.05)	\$ (74.85)	\$ (86.50)
AT SPRINT'S WIRELESS RATES	\$ (29.21)	\$ (34.14)	\$ (47.27)	\$ (56.12)	\$ (66.98)	\$ (78.68)	\$ (91.30)

MILLRY TELEPHONE COMPANY Projected Regulated Net Investment



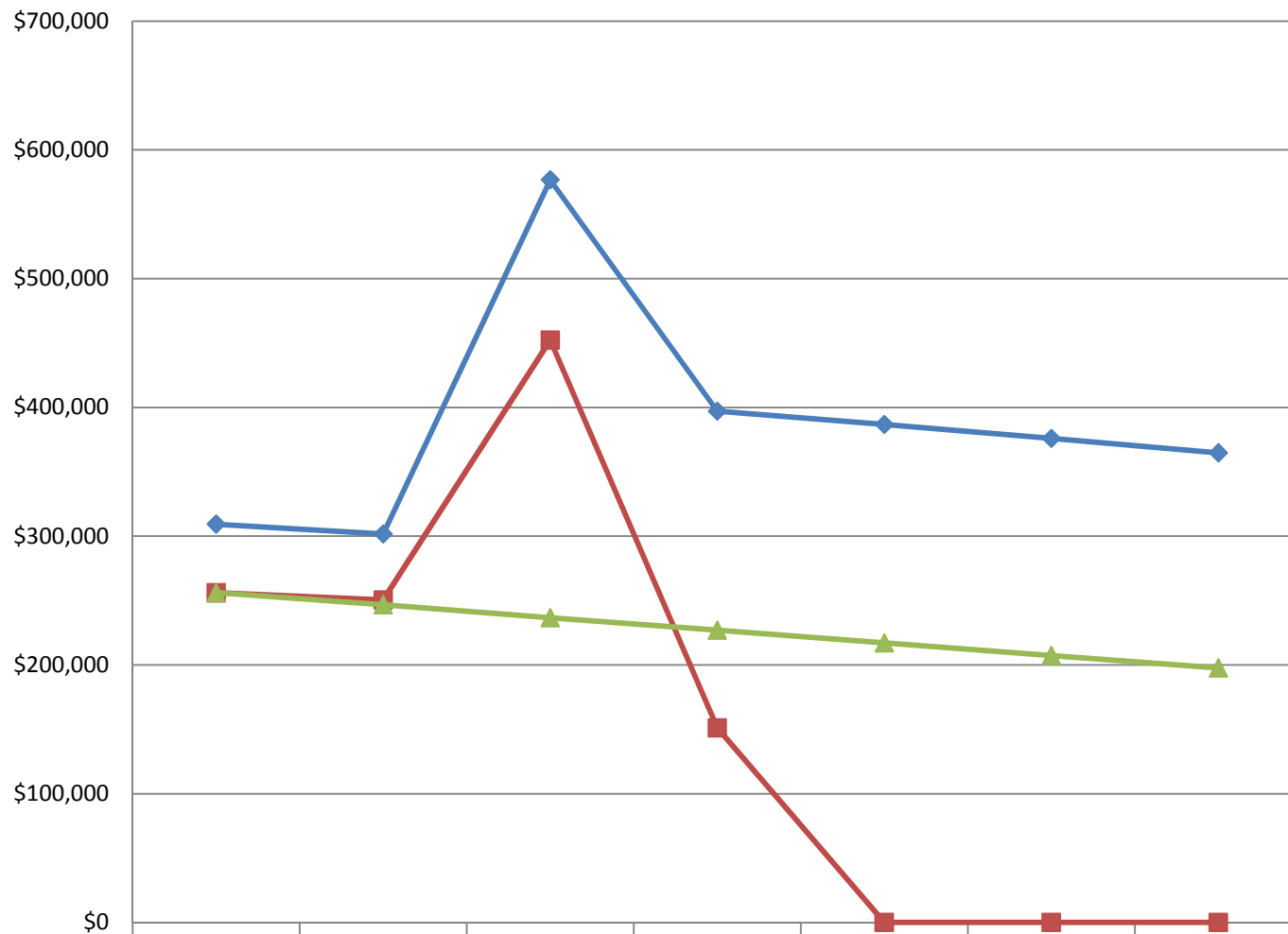
Company Name: MILLRY TELEPHONE COMPANY
Study Area Code: 250304
Contact Name: Danita Carsey
Contact Email: dcarsey@wgacpa.com
Contact Phone Number: 937-846-0440

Line	Description	YEAR : 2007	YEAR : 2008	YEAR : 2009	YEAR : 2010	YEAR : 2011	YEAR : 2012	YEAR : 2013	YEAR : 2014	YEAR : 2015	YEAR : 2016
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D. Inputs to Calculate Net Rate Base Projections

LN 56	Telephone Plant In Service:										
	General Support Assets:	\$4,302,618	\$4,356,170	\$4,374,447	\$4,563,594	\$4,722,989	\$4,778,413	\$4,883,230	\$4,988,047	\$5,092,863	\$5,197,680
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	2%	2%	2%	2%
	Amount to be carried forward into calculation:	\$4,302,618	\$4,356,170	\$4,374,447	\$4,563,594	\$4,722,989	\$4,778,413	\$4,883,230	\$4,988,047	\$5,092,863	\$5,197,680
LN 57	COE - Switching	\$3,859,986	\$4,154,956	\$4,355,554	\$1,021,883	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	0%	0%	0%	0%
	Amount to be carried forward into calculation:	\$3,859,986	\$4,154,956	\$4,355,554	\$1,021,883	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807	\$1,000,807
LN 58	COE - Transmission	\$4,898,291	\$5,622,629	\$5,859,443	\$5,858,855	\$5,858,841	\$6,266,809	\$6,482,541	\$6,698,274	\$6,914,006	\$7,129,739
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	3%	3%	3%	3%
	Amount to be carried forward into calculation:	\$4,898,291	\$5,622,629	\$5,859,443	\$5,858,855	\$5,858,841	\$6,266,809	\$6,482,541	\$6,698,274	\$6,914,006	\$7,129,739
LN 59	C&WF	\$12,082,759	\$12,396,247	\$13,295,413	\$13,986,874	\$14,142,374	\$14,893,691	\$15,464,677	\$16,035,663	\$16,606,648	\$17,177,634
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	4%	4%	4%	3%
	Amount to be carried forward into calculation:	\$12,082,759	\$12,396,247	\$13,295,413	\$13,986,874	\$14,142,374	\$14,893,691	\$15,464,677	\$16,035,663	\$16,606,648	\$17,177,634
LN 60	Telephone Plant In Service (Sum of LNs 56 through 60):	\$25,143,654	\$26,530,002	\$27,884,856	\$25,431,206	\$25,725,011	\$26,939,720	\$27,831,255	\$28,722,790	\$29,614,325	\$30,505,860
LN 61	Accumulated Depreciation:										
	General Support Assets:	\$3,142,991	\$3,242,770	\$3,491,433	\$3,593,427	\$3,963,216	\$4,084,099	\$4,283,210	\$4,482,321	\$4,681,431	\$4,880,542
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	5%	5%	4%	4%
	Amount to be carried forward into calculation:	\$3,142,991	\$3,242,770	\$3,491,433	\$3,593,427	\$3,963,216	\$4,084,099	\$4,283,210	\$4,482,321	\$4,681,431	\$4,880,542
LN 62	COE - Switching	\$3,274,344	\$3,599,783	\$3,973,759	\$628,085	\$743,774	\$829,843	\$915,913	\$1,000,807	\$1,000,807	\$1,000,807
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	10%	9%	0%	0%
	Amount to be carried forward into calculation:	\$3,274,344	\$3,599,783	\$3,973,759	\$628,085	\$743,774	\$829,843	\$915,913	\$1,000,807	\$1,000,807	\$1,000,807
LN 63	COE - Transmission	\$1,755,069	\$2,157,999	\$2,576,623	\$2,625,965	\$3,159,423	\$3,438,018	\$3,765,686	\$4,093,353	\$4,421,021	\$4,748,688
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	10%	9%	8%	7%
	Amount to be carried forward into calculation:	\$1,755,069	\$2,157,999	\$2,576,623	\$2,625,965	\$3,159,423	\$3,438,018	\$3,765,686	\$4,093,353	\$4,421,021	\$4,748,688
LN 64	C&WF	\$8,366,228	\$8,798,083	\$9,373,528	\$9,430,369	\$10,076,476	\$10,424,771	\$10,830,049	\$11,235,327	\$11,640,605	\$12,045,883
	Estimated Annual % Increase (Decrease) if Actuals are Unavailable				0%	0%	0%	4%	4%	4%	3%
	Amount to be carried forward into calculation:	\$8,366,228	\$8,798,083	\$9,373,528	\$9,430,369	\$10,076,476	\$10,424,771	\$10,830,049	\$11,235,327	\$11,640,605	\$12,045,883
LN 65	Accumulated Depreciation (Sum of LNs 61 through 64):	\$16,538,633	\$17,798,635	\$19,415,343	\$16,277,846	\$17,942,889	\$18,776,732	\$19,794,858	\$20,811,808	\$21,743,864	\$22,675,920
LN 66	Net Telephone Plant In service (LN60 - LN 65)	\$8,605,022	\$8,731,366	\$8,469,514	\$9,153,360	\$7,782,122	\$8,162,988	\$8,036,398	\$7,910,982	\$7,870,461	\$7,829,940

Millry Telephone Company Comparison of High Cost Loop Support Projections



◆ HCL Support @ WGA Projected NACPL	\$309,305	\$301,683	\$576,701	\$397,068	\$386,679	\$375,879	\$364,680
■ HCL Support @ NECA's Projected NACPL	\$256,015	\$250,432	\$452,235	\$151,086	\$0	\$0	\$0
▲ HC L Support if 2010 Amt/Line Frozen	\$256,015	\$246,661	\$236,637	\$226,889	\$217,022	\$207,274	\$197,645

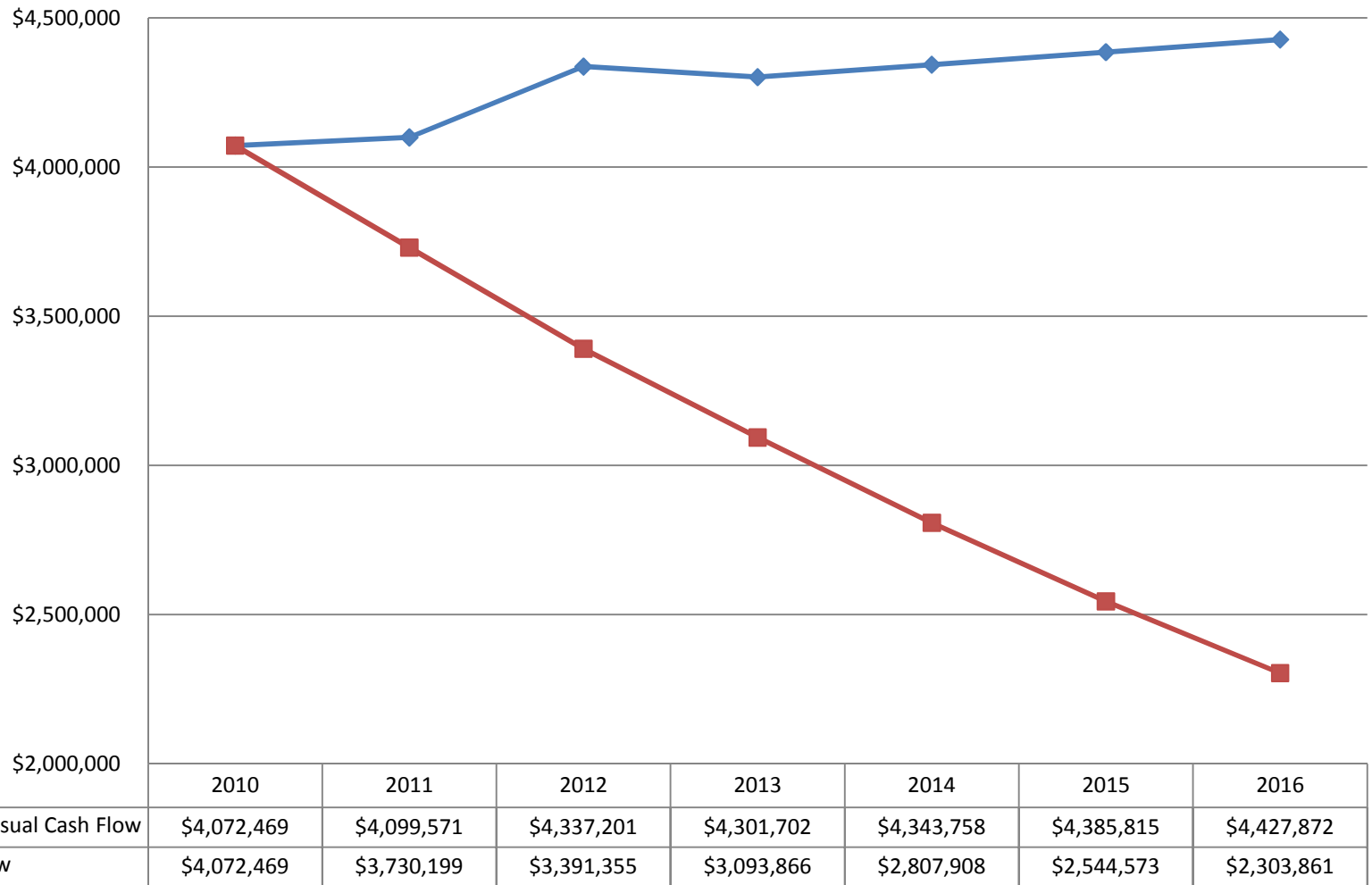
USF HCLF Calculations Assuming Historical & Projected SACPL and Loops with NACPL as originally estimated by WGA in 2010 NECA Forecasts or Round II BIP Projects

BIP CSS and RMS												ESTIMATED	
MILLRY TELEPHONE COMPANY													
USF Algorithms Source	2007 Amount	2008 Amount	2009 Amount	Change	2010 Amount	2011 Amount	2012 Amount	2013 Amount	2014 Amount	2015 Amount	2016 Amount		
Based on year-end data from:	2005	2006	2007		2008	2009	2010	2011	2012	2013	2014		
Company Unseparated Cost Per Loop	Ln. 26	\$ 484.44	\$509.10	\$ 547.36	\$ 38.26	\$547.78	\$596.14	\$707.23	\$702.89	\$742.19	\$781.49	\$820.79	
Nationwide Average CPL (WGA growth estimates)	Ln. 27	335.32	354.43	382.97	\$ 28.54	412.54	453.81	486.31	518.81	551.31	583.81	616.31	
Estimated Annual USF Support Payments (1)	Ln. 31	\$ 456,963	\$ 459,079	\$ 469,706	\$ 10,627	\$ 309,305	\$ 301,683	\$ 576,701	\$ 397,068	\$ 386,679	\$ 375,879	\$ 364,680	
Per Books or Amount to use for forecasted year		\$ 323,359	\$ 413,244	\$ 439,497		\$ 309,305	\$ 301,683	\$ 576,701	\$ 397,068	\$ 386,679	\$ 375,879	\$ 364,680	
Monthly USF Support	Ln. 32	\$ 26,947	\$ 34,437	\$ 36,625	\$ 2,188	\$ 25,775	\$ 25,140	\$ 48,058	\$ 33,089	\$ 32,223	\$ 31,323	\$ 30,390	
USF Loops (Includes Company Official)	Data Coll Ln. 70	7,114	6,958	6,757		6,487	6,250	5,996	5,749	5,499	5,252	5,008	
HCLF Support Change year over year			\$ 2,116	\$ 10,627		\$ (160,400)	\$ (7,623)	\$ 275,018	\$ (179,633)	\$ (10,389)	\$ (10,800)	\$ (11,199)	
Cumulative Change 2008 to 2016												\$ (92,283)	

MILLRY TELEPHONE COMPANY

Cash Flow Projection

(With ICLS frozen @ 2010 Amount/Line, HCL, State and Interstate Access Reduced 10% Per Year)



MILLRY TELEPHONE COMPANY
NET INCOME - SOURCE NECA DR

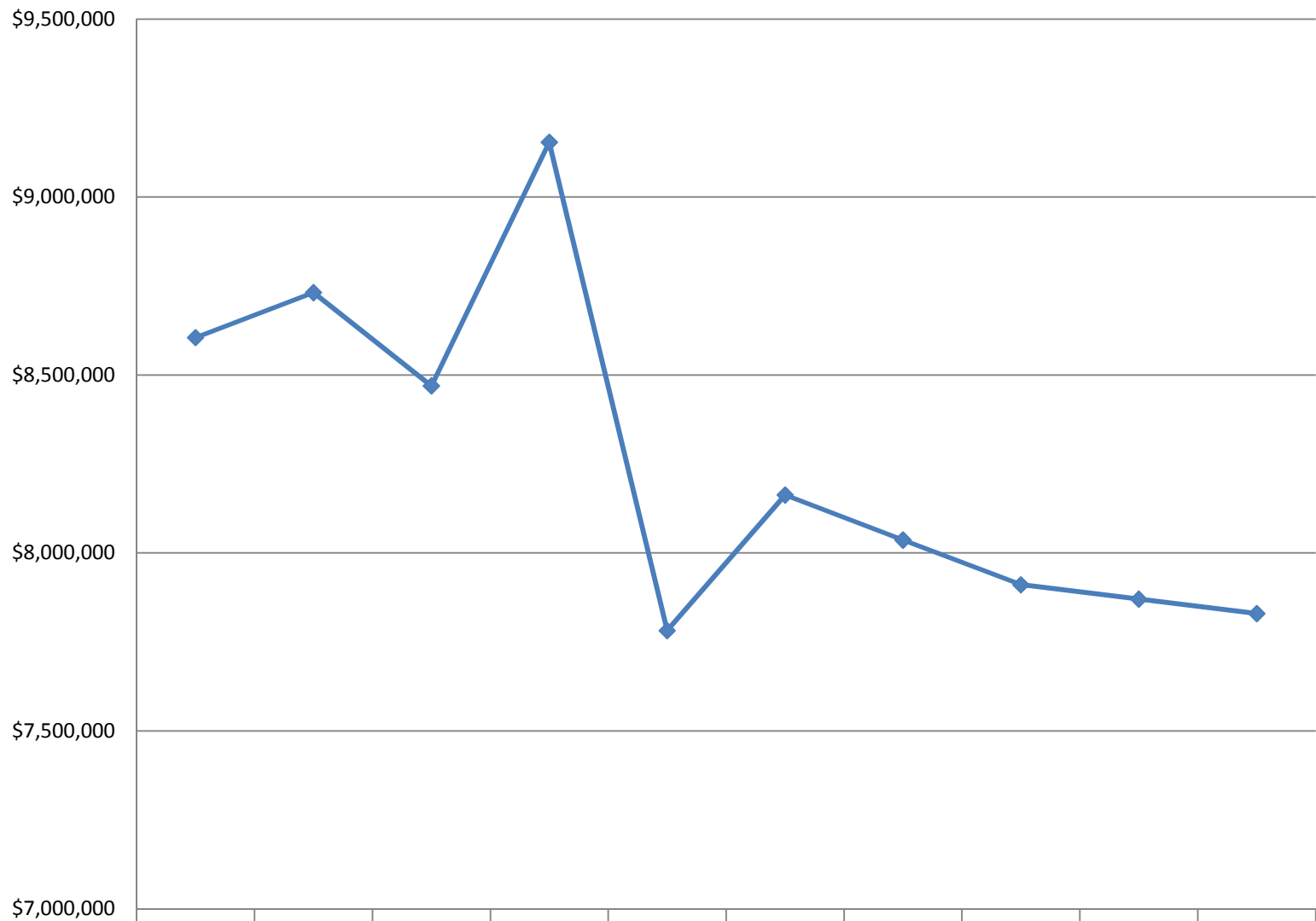
DR LN	DESCRIPTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
A.	TOTAL REVENUE	\$ 8,812,520	\$ 9,107,748	\$ 9,037,247	\$ 10,422,765	\$ 10,751,238	\$ 11,487,985	\$ 11,734,944	\$ 12,139,778	\$ 12,544,611	\$ 12,949,444
B	TOTAL EXPENSES	\$ 6,846,043	\$ 6,859,418	\$ 7,604,153	\$ 7,973,710	\$ 8,087,381	\$ 8,739,377	\$ 9,053,768	\$ 9,448,477	\$ 9,843,187	\$ 10,237,896
C	Total Other Income (Not included)	\$ 1,514,868	\$ 1,337,113	\$ 1,226,556	\$ 18,433	\$ 18,433	\$ 18,433	\$ 18,433	\$ 18,433	\$ 18,433	\$ 18,433
	Adjusted Net Income	3,481,346	3,585,442	2,659,650	2,467,488	2,682,289	2,767,041	2,699,609	2,709,733	2,719,857	2,729,981
D	Audited Financials (2007 to 2009)	\$ 3,481,346	\$ 3,585,442	\$ 2,659,650	\$ 2,467,488	\$ 2,682,289	\$ 2,767,041	\$ 2,699,609	\$ 2,709,733	\$ 2,719,857	\$ 2,729,981
	Interest Expense	59,715	39,277	16,511	248,864	387,896	370,981	335,469	297,547	251,001	206,222
	Regulated Depreciation Expense	1,611,550	1,676,474	1,840,881	1,864,766	1,677,067	1,829,945	1,861,878	1,893,810	1,925,743	1,957,676
	Non Reg Depreciation Expense	70,124	6,608	38,730	38,730	38,730	38,730	38,730	38,730	38,730	38,730
E	EBITDA	\$ 5,222,734	\$ 5,307,801	\$ 4,555,772	\$ 4,619,848	\$ 4,785,982	\$ 5,006,697	\$ 4,935,686	\$ 4,939,820	\$ 4,935,331	\$ 4,932,609
	Principle Payment on LT Debt	\$ 308,106	\$ 308,106	\$ 308,106	\$ 298,515	\$ 298,515	\$ 298,515	\$ 298,515	\$ 298,515	\$ 298,515	\$ 298,515
	Interest Expense	\$ 59,715	\$ 39,277	\$ 16,511	\$ 248,864	\$ 387,896	\$ 370,981	\$ 335,469	\$ 297,547	\$ 251,001	\$ 206,222
	Total Company Debt Service	\$ 367,821	\$ 347,383	\$ 324,617	\$ 547,379	\$ 686,411	\$ 669,496	\$ 633,984	\$ 596,062	\$ 549,516	\$ 504,737
F	Cash Flow for Investing	\$ 4,854,914	\$ 4,960,418	\$ 4,231,155	\$ 4,072,469	\$ 4,099,571	\$ 4,337,201	\$ 4,301,702	\$ 4,343,758	\$ 4,385,815	\$ 4,427,872
G	Tier (Net Inc + Fixed Chgs) / Fixed Chgs	59.2997	92.2860	162.0814	10.9150	7.9150	8.4587	9.0473	10.1069	11.8360	14.2381
NECA DR		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
66	Net Regulated Investment	\$8,605,022	\$8,731,366	\$8,469,514	\$9,153,360	\$7,782,122	\$8,162,988	\$8,036,398	\$7,910,982	\$7,870,461	\$7,829,940

MILLRY TELEPHONE COMPANY

DR LN	DESCRIPTION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	EBITDA (based on BAU projections)	\$ 5,222,734	\$ 5,307,801	\$ 4,555,772	\$ 4,619,848	\$ 4,785,982	\$ 5,006,697	\$ 4,935,686	\$ 4,939,820	\$ 4,935,331	\$ 4,932,609
	Remove ICLS				(888,884)	(916,388)	(998,518)	(1,059,337)	(1,120,156)	(1,180,975)	(1,241,794)
	Remove HCLF				(232,414)	(223,544)	(397,404)	(297,648)	(286,049)	(274,451)	(262,852)
	Remove State TS Access				(2,497,315)	(2,437,716)	(2,308,935)	(2,222,620)	(2,136,306)	(2,049,991)	(1,963,677)
	Remove IS TS Access				(575,456)	(546,810)	(523,600)	(496,799)	(469,998)	(443,197)	(416,396)
	Access & ICC phase down percentages - 10 years				100%	90%	80%	70%	60%	50%	40%
	Add ICLS using frozen \$ per line				888,884	859,840	830,651	802,285	773,428	744,571	715,714
	Phase down HCLF				232,414	209,173	185,931	162,690	139,448	116,207	92,966
	Reflect State TS phased down 10% per year				2,497,315	2,193,944	1,847,148	1,555,834	1,281,783	1,024,996	785,471
	Reflect IS TS Access phased down 10% per year				575,456	492,129	418,880	347,759	281,999	221,599	166,558
	Adjusted EBITDA - NBP				\$ 4,619,848	\$ 4,416,610	\$ 4,060,851	\$ 3,727,850	\$ 3,403,970	\$ 3,094,089	\$ 2,808,598
	Total Company Debt Service				547,379	686,411	669,496	633,984	596,062	549,516	504,737
	Cash Flow - NBP Adjusted				\$ 4,072,469	\$ 3,730,199	\$ 3,391,355	\$ 3,093,866	\$ 2,807,908	\$ 2,544,573	\$ 2,303,861
	Covers Debt Service				yes	yes	yes	yes	yes	yes	yes
					2010	2011	2012	2013	2014	2015	2016
	Business As Usual Cash Flow \$				4,072,469	\$ 4,099,571	\$ 4,337,201	\$ 4,301,702	\$ 4,343,758	\$ 4,385,815	\$ 4,427,872
	NBP Cash Flow \$				4,072,469	\$ 3,730,199	\$ 3,391,355	\$ 3,093,866	\$ 2,807,908	\$ 2,544,573	\$ 2,303,861
											\$ (2,124,010)

MILLRY TELEPHONE COMPANY

Projected Net Regulated Investment



Net Regulated Investment	\$8,605,022	\$8,731,366	\$8,469,514	\$9,153,360	\$7,782,122	\$8,162,988	\$8,036,398	\$7,910,982	\$7,870,461	\$7,829,940
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